NEWSLINE

Savings Plus Program 4th Quarter 2008

Three Reasons to Stay Invested

The current stock market returns and dramatic market swings have tried the patience of many investors. A glance at past market events may be helpful to show you three reasons stock investments have produced long-term, positive benefits for a diversified portfolio.

One — Historically, the U.S. stock market has recovered. Over the past 60 years, there have been 12 bear markets, which lasted an average of 14 months and declined a total of 22.4 percent. By contrast, the 12 bull markets since 1948 lasted an average of 45 months, with a 123.9 percent average cumulative return (see chart below).

Two — Frequent traders' overall returns lag the market. DALBAR, Inc., an investment research company with more than 30 years experience, studied the effects of frequent buying and selling by mutual fund investors. The current study found that over the past 20 years, investors who bought and held shares for an average of just over three years before they sold earned less than half the return of the S&P 500 Index (4.5% versus 11.8%).

** Source: DALBAR, Inc. Quantitative Analysis of Investor Behavior, 2008.*

Three — Market gains have more than made up for market losses. If you sell in times of market turbulence, you bear the risk of selling near the bottom of a bear market. This locks in your market loss and prevents you from taking advantage of the market recovery. Historically, market gains have more than made up for losses for investors who stay invested over time. As an example, a $10,000 investment in the S&P 500 Index in 1988 would've grown to $72,932 by June 30, 2008, despite the 43% downturn of 2000–2002.[1]

[1] *The above is a hypothetical illustration. It doesn't represent the actual performance of any specific investment or deferred compensation program; it doesn't reflect any applicable fees or taxes. If these were included, the results would be lower. It is not intended to predict or project investment results, as past performance is no indicator of future results. You cannot invest directly into the S&P 500 Index.*

BULL MARKETS vs. BEAR MARKETS (12/31/48 – 6/30/08)	BULL	BEAR
Occurrences	12	12
Average length of each occurrence (in months)	45	14
Average annual return	23.5%	-20%
Average cumulative return	123.9%	-22.4%

Source: Putnam research. Data illustrated using S&P 500 Index.

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Time to Rebalance?

It's important to periodically look at your portfolio's asset allocation.
A review is even more important during volatile economic times when investment fund percentages tend to shift away from your established asset allocation strategy percentages.

Take a few minutes to review the Savings Plus Investment Guide found under "forms and publications" on our website. Use the Investment Guide to:

- Establish a portfolio that's right for you based on your time horizon, ability to delay use of retirement money, and risk (see section 3 of the Guide).
- Take the Ibbotson Asset Allocation Questionnaire in Section 4 (also under "planning tools" on our website). Your score identifies your Investor Profile.
- Review the percentages for your specific Investor Profile in Section 5.
- Compare your Investor Profile percentages to the pie chart percentages found in the "Asset Allocation Information" section at the bottom of page 1 on your quarterly statement.
- Rebalance your portfolio's investment percentages, if necessary, to match your Investor Profile. Log into your account on our website and select "End Result Exchange" (under the "Transactions" link on your account page). This feature rebalances your portfolio to the percentages you designate. Or call a customer service representative, available Monday–Friday from 8:30 a.m. to 4:30 p.m. at 1-866-566-4777 (press * 0). A representative will process your transaction for you. You'll receive a confirmation letter of the transaction in the mail.

A portfolio rebalance does not prevent losses or guarantee positive returns; however you can be assured your long-term investment strategy is properly allocated to match your investor profile.

If you're not comfortable selecting percentages for multiple investments, consider a single Asset Allocation Index Fund. This fund will automatically rebalance investments for you. We offer five funds which range from conservative to aggressive and align to investor profile model profiles. The asset allocation funds provide a low cost diversification by investing in inexpensive index fund options across several asset classes.

You can find a list of investment options available on our website under the tab "investment choices." For specific information on a fund, go to Quick Links–fact sheets/prospectuses.

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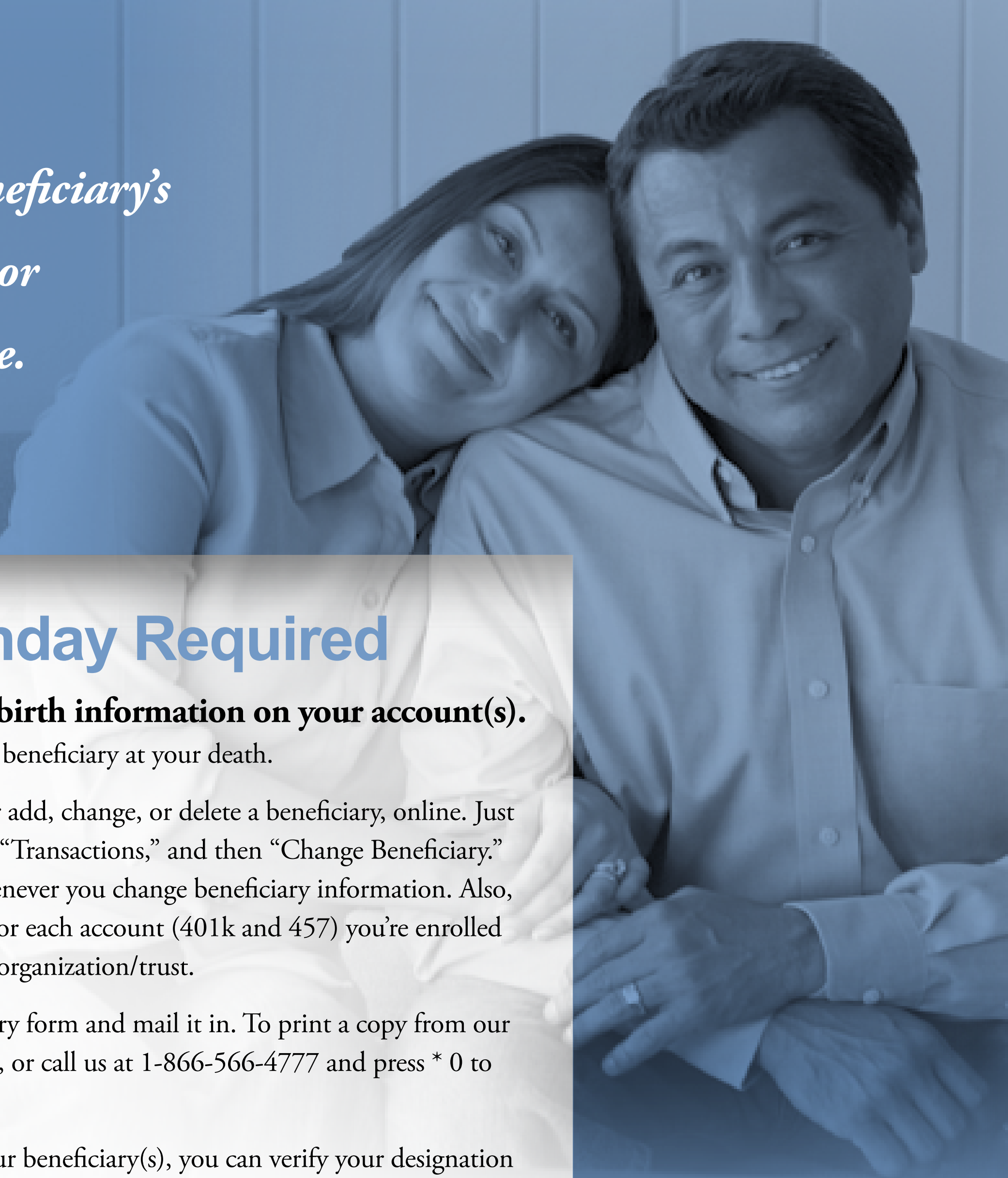
It's simple to add your beneficiary's birthday, or add, change, or delete a beneficiary, online.



Beneficiary's Birthday Required

We now require beneficiary date of birth information on your account(s). This is required in order to accurately pay your beneficiary at your death.

It's simple to add your beneficiary's birthday, or add, change, or delete a beneficiary, online. Just go to the website, log into your account, select "Transactions," and then "Change Beneficiary." You must provide a beneficiary's birth date whenever you change beneficiary information. Also, when you make a change you'll need to do so for each account (401k and 457) you're enrolled in, even if you designate the same person(s) or organization/trust.

If you prefer, you may fill out a paper beneficiary form and mail it in. To print a copy from our website, go to the "forms and publications" tab, or call us at 1-866-566-4777 and press * 0 to request a form be mailed to you.

If you don't know who you've designated as your beneficiary(s), you can verify your designation at the bottom of your quarterly statement or on the SPP website.

Contribution Amounts Increase

The IRS announced an increase in contribution limits for 2009. You can contribute up to $16,500 in each of the 401(k) and 457 plans. If you're 50 or older, you can contribute an additional $5,500 per plan, for a total of $22,000 (16,500 + 5,500) per plan.

If you participate in Traditional (457 Plan) Catch-up, the IRS allows you to contribute up to $33,000 for 2009, and you can now participate in Traditional Catch-up the year you retire. As another benefit, you can use your lump sum separation pay towards catch-up contributions when you separate.

Visit our website for more information on contribution limits, lump sum contributions, and Traditional Catch-up.

You can contribute up to $16,500 in each of the 401(k) and 457 plans in 2009.

Lump Sum Transfer Update

In the 3rd Quarter 2008 NewsLine we stated that a lump-sum payment has "…a federal tax withholding rate of approximately 42% and is taxable as ordinary income." We recently learned lump-sum payments **do not** have a specific 42% withholding rate. Both federal and state withholding will be applied as "ordinary income." Withholding occurs at the rate you declared on your federal W-4 and state DE 4 forms.

You can avoid tax withholding when you elect your final compensation be put into your Savings Plus account(s).[1] You'll use the *Transfer of Lump-Sum* Separation Booklet to accomplish this objective. You can obtain this booklet from our website, SPPforu.com or call 1-866-566-4777 (press * 0 to ask a customer service representative to mail a booklet to you). Remember, neither Nationwide nor your customer service representatives give legal or tax advice. Please consult your attorney or tax advisor for answers to specific questions.

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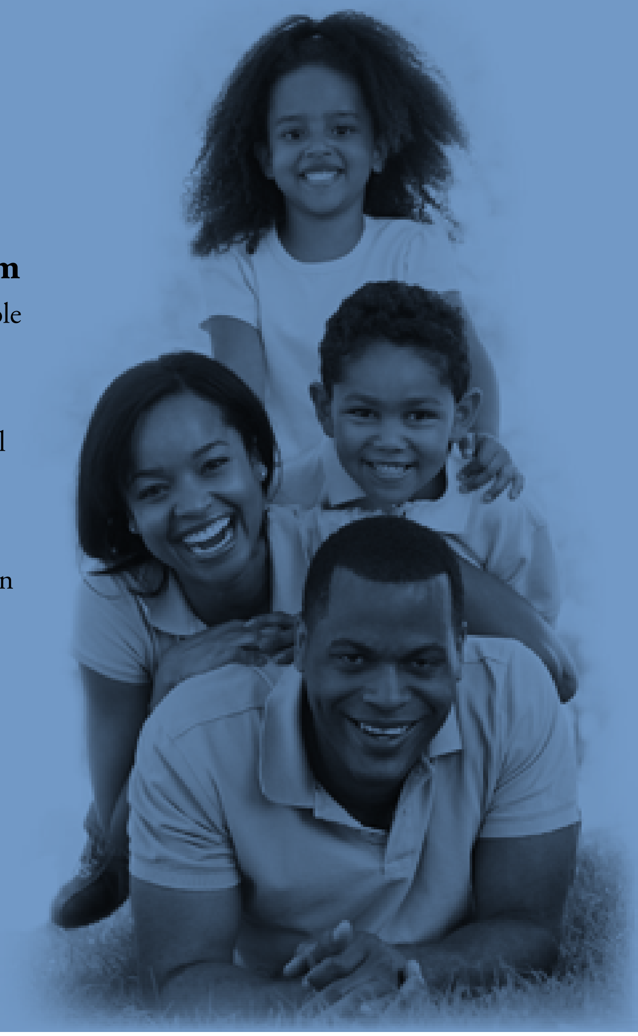
1 *You must have FICA – Social Security and Medicare taxes withheld*



Form 1099: In the Mail

If you received a payment from your SPP account in 2008, our recordkeeper (Nationwide Retirement Solutions) will mail your 1099-R tax document in January. If you don't receive your 1099-R by Feb. 16, 2009, call 1-866-566-4777 and press * 0 to ask a customer service representative to mail you a copy. It will be mailed to you within 30 days.

If you're separated from State service, make sure we have your correct address. Simply call our toll-free number or visit our website, log into your account, select "Online Profile," then "Change Personal Information," or simply click on the "change it" link on your Account Information page.

expanding your retirement horizons

SPP SAVINGS PLUS PROGRAM

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Department of
Personnel Administration
Savings Plus Program

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How to Reach Us

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Lobby: 8:00 a.m. - 4:30 p.m.
Phone: 8:30 a.m. - 4:00 p.m.

Web site: www.sppforu.com

Voice Response System:
1-866-566-4777

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